

## STATE OF SOUTH CAROLINA

## (Caption of Case)

Application of Alltel Communications, Inc. for  
Designation as an Eligible Telecommunications  
Carrier Pursuant to Section 214(e)(2) of the  
Communications Act of 1934

BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA

## COVER SHEET

DOCKET

NUMBER: 2007 - 151 - C

(Please type or print)

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<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition
<input checked="" type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input checked="" type="checkbox"/> Proposed Order	<input type="checkbox"/> Other: _____
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<input type="checkbox"/> Other: _____	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit	
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## DOCKET NO. 2007-151-C

COLUMBIA 897422v1

IN RE: Application of Alltel Communications, Inc. for )  
Designation as an Eligible Telecommunications ) **PROPOSED ORDER**  
Carrier Pursuant to Section 214(e)(2) of the ) (on behalf of SCTC)  
Communications Act of 1934 )  
\_\_\_\_\_ )

This matter comes before the South Carolina Public Service Commission (“Commission”) upon the petition of Alltel Communications, Inc. (“Alltel”) for designation as an Eligible Telecommunications Carrier (“ETC”), pursuant to 42 U.S.C. § 214(e)(2), for the purpose of receiving federal universal service funding.

A public hearing was held in this matter on July 11, 2007. Alltel was represented by Burnet R. Maybank, III, and Sean R. Simpson (*pro hac vice*). Alltel presented the direct and reply testimony of Rohan Ranaraja and Steve R. Mowery.

The South Carolina Telephone Coalition (“SCTC”) was represented by M. John Bowen, Jr., and Margaret M. Fox. The SCTC presented the direct and reply testimony of Glenn H. Brown, as well as the reply testimony of H. Keith Oliver.

Columbia: 896858

The Office of Regulatory Staff (“ORS”) was represented by C. Lessie Hammonds, Nanette Edwards, and Shealy Reibold. ORS did not present a witness.

## **II. DISCUSSION**

This docket was established to consider Alltel’s petition to be designated as an ETC for purposes of receiving federal USF. Section 254(e) of the federal Telecommunications Act of 1996 (“Act”) provides that only an ETC as designated under Section 214(e) of the Act may receive federal universal service support.

The goal of universal service is to ensure the widespread availability of affordable basic local exchange telephone service. Universal service has long been a public policy. See, e.g., 47 U.S.C. § 151, § 254; see also S.C. Code Ann. § 58-9-280(E), Commission Order No. 2001-419 in Docket No. 97-239-C at pp. 25-31 (Section III, Universal Service Policy and History). Any consideration of a petition to designate an ETC for purposes of receiving federal funds intended to preserve and advance universal service should be undertaken in a manner consistent with these overall goals.

Section 214(e) requires that a telecommunications carrier seeking designation as an ETC must offer the services that are supported by federal universal service support mechanisms, and must advertise the availability of those services and the charges therefor using media of general distribution.

The Federal Communications Commission (“FCC”) has defined the services that are supported by Federal universal service support mechanisms to include the following nine (9) core services:

1. voice grade access to the public switched network;
2. local usage;

3. dual tone multi-frequency signaling or its functional equivalent;
4. single party service or its functional equivalent;
5. access to emergency services;
6. access to operator services;
7. access to interexchange service;
8. access to directory assistance; and
9. toll limitation for qualifying low-income consumers.

47 C.F.R. § 54.101(a). These nine services must be offered throughout the service area for which the designation is received, and must be offered using either the ETC's own facilities or a combination of its own facilities and resale of another carrier's services. 47 U.S.C. § 214(e)(1); 47 C.F.R. § 54.201(d)(1). The requirement that a carrier "offer" the service does not mean that it must actually provide ubiquitous service prior to certification as an ETC and, in fact, the Commission cannot place such a condition on a carrier prior to certification. See, e.g., Federal-State Joint Board on Universal Service, RCC Holdings, Inc., Petition for Designation as an Eligible Telecommunications Carrier Throughout its Licensed Service Area in the State of Alabama, Memorandum Opinion and Order, DA 02-3181 (Wireless Comp. Bureau, rel. Nov. 27, 2002).

The FCC has adopted additional requirements that must be met by carriers seeking ETC designation from the FCC. See Federal-State Joint Board on Universal Service, Report and Order, 20 FCC Rcd 6371 (released March 17, 2005) ("FCC ETC Order"). According to the FCC's additional requirements, in order to be designated as an ETC, the carrier must:

- (1) (i) Commit to provide service throughout its proposed designated service area to all customers making a reasonable request for service;

- (ii) Submit a five-year plan that describes with specificity proposed improvements or upgrades to the applicant's network on a wire center-by-wire center basis throughout its proposed designated service area;
- (2) Demonstrate its ability to remain functional in emergency situations;
- (3) Demonstrate that it will satisfy applicable consumer protection and service quality standards;
- (4) Demonstrate that it offers a local usage plan comparable to the one offered by the incumbent LEC in the service areas for which it seeks designation; and
- (5) Certify that the carrier acknowledges that the FCC may require it to provide equal access to long distance carriers in the event that no other ETC is providing equal access within the service area.

47 C.F.R. § 54.202(a).

Specifically, with respect to the five-year plan, the FCC requires:

Each applicant shall demonstrate how signal quality, coverage or capacity will improve due to the receipt of high-cost support; the projected start date and completion dates for each improvement and the estimated amount of investment for each project that is funded by high-cost support; the specific geographic areas where the improvements will be made; and the estimated population that will be served as a result of the improvements. If an applicant believes that service improvements in a particular wire center are not needed, it must explain its basis for this determination and demonstrate how funding will otherwise be used to further the provision of supported services in that area.

47 C.F.R. § 54.202(a)(1)(ii).

This Commission is currently in the process of a rulemaking proceeding in Docket No. 2006-37-C to establish standards for designating ETCs in the State of South Carolina for purposes of receiving federal universal service funding. While The FCC's requirements are not

binding on this Commission, we have stated that, in evaluating ETC applications such as Alltel's during the interim period prior to issuance of the Commission's own ETC regulations, we will "consider the FCC's guidelines regarding designation of new ETCs in conjunction with the Commission's existing framework of analysis of ETC applications as reflected in prior Commission orders such as Order # 2005-5, dated January 7, 2005, in Docket # 2003-158-C. In other words, we should be informed by – but not controlled by – those FCC guidelines, and the public interest should be paramount in our considerations." See Directive issued by the Commission in Docket No. 2006-37-C, dated May 30, 2007.

With respect to the public interest determination, Section 214(e)(2) of the Act sets forth the analysis a state commission must perform in designating ETCs as follows:

A State commission shall upon its own motion or upon request designate a common carrier that meets the requirements of paragraph (1) as an eligible telecommunications carrier for a service area designated by the State commission. Upon request and consistent with the public interest, convenience, and necessity, the State commission may in the case of an area served by a rural telephone company, and shall, in the case of all other areas, designate more than one common carrier as an eligible telecommunications carrier for a service area designated by the State commission, so long as each additional requesting carrier meets the requirements of paragraph (1). Before designating an additional eligible telecommunications carrier for an area served by a rural telephone company, the State commission shall find that the designation is in the public interest.

(Emphasis added.)

While the states are free to establish their own public interest tests, in instances where states have declined or failed to exercise their jurisdiction under Section 214(e)(2), the FCC has applied a public interest analysis pursuant to its authority under Section 214(e)(6). Initially the FCC's standard was lenient, and the FCC granted applications for ETC status based solely on a generalized statement by the applicant that doing so would bring the benefits of competition to the designated area. See, e.g., Guam Cellular and Paging, Inc., DA 02-174 (released January 12,

2002). However, concerns about exponential growth in the size of the federal USF, as well as a specific concern that the FCC's policy was not consistent with the intended use of universal service funding in high cost areas, led to the evolution of a more stringent public interest analysis. See In the Matter of Federal State Joint Board on Universal Service, Virginia Cellular, LLC Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia, Memorandum Opinion and Order, FCC 03-338, CC Docket No. 96-45 (released January 22, 2004) ("Virginia Cellular"); In the Matter of Federal State Joint Board on Universal Service, Highland Cellular, Inc. Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia, Memorandum Opinion and Order, FCC 04-37, CC Docket No. 96-45 (released April 12, 2004) ("Highland Cellular").

In these orders, the FCC clearly stated that the burden of proof was on the applicant to demonstrate that the public interest would be served by granting the application. Virginia Cellular at ¶ 26; Highland Cellular at ¶ 20. According to the FCC, the value of competition alone is not sufficient to satisfy the public interest test in rural areas. Virginia Cellular at ¶ 4; Highland Cellular at ¶ 4. The determination of public interest instead requires a fact-specific balancing of the benefits and costs. Virginia Cellular at ¶ 28; Highland Cellular at ¶ 22. Factors that should be considered include: The benefits of increased competitive choice; the impact of multiple ETC designations on the universal service fund; whether the benefits of an additional ETC outweigh any potential harms; the unique advantages and disadvantages of the competitor's service offering; any commitments regarding quality of service; and the competitive ETC's ability to provide the supported services throughout the designated service area within a reasonable time frame. Virginia Cellular at ¶ 28; Highland Cellular at ¶ 22.



Even more recently, concerns with preserving universal service funding for its intended purposes in light of a burgeoning federal universal service fund led the Federal-State Joint Board on Universal Service (“Joint Board”) to recommend that the FCC “take immediate action to rein in the explosive growth in high-cost universal service disbursements” by imposing an interim, emergency cap on the amount of high-cost support that competitive ETCs may receive. Recommended Decision, In the Matter of High-Cost Universal Service Support and Federal-State Joint Board on Universal Service, WC Docket No. 05-337 and CC Docket No. 96-45, FCC 07J-1, released May 1, 2007 (“Recommended Decision”), at ¶ 1.

While the FCC seems to be moving in the right direction in examining these issues and in applying a more fact-specific and stringent public interest analysis, we note that we are not bound by the FCC’s analysis, but instead have the obligation to fulfill the statutory mandate of Congress as well as our own statutory mandate by ensuring that designating additional ETCs in South Carolina serves the public interest, convenience and necessity. Certainly with respect to rural areas, Congress has specifically expressed an affirmative mandate for the Commission to do so, and has given the Commission the discretion as to whether or not to designate multiple ETCs in such areas.<sup>1</sup> Before designating any carrier as an ETC in South Carolina, we must carefully consider its application; make an affirmative finding that it is in the public interest to designate that carrier as an ETC, particularly with respect to service in areas served by rural telephone companies; and adopt reasonable and rational requirements to ensure that any carriers we may designate as ETCs in South Carolina will use the federal USF funds they receive to preserve and advance the goals of universal service.

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<sup>1</sup> 47 U.S.C. § 214(e)(2) (“Before designating an additional eligible telecommunications carrier for an area served by a rural telephone company, the State commission shall find that the designation is in the public interest.”)

This Commission has previously adopted a public interest test which requires us to conduct a specific, fact-intensive analysis to determine whether the public benefits associated with the designation will outweigh the public costs created by supporting an additional ETC. Order No. 2005-5 at p. 26, ¶ 7. We have also stated that, in making a public interest determination, we must keep in mind as our overriding principle the purpose of universal service funding, which is to ensure that consumers in all regions of the nation have access to quality telecommunications services at just, reasonable, and affordable rates, and that the services and rates in rural, insular, or high cost areas are comparable to those in urban areas. *Id.* at p. 27, ¶ 8. As we stated in our prior order, the federal USF is and should be treated as a scarce national resource. *Id.* at p. 31, ¶ 15. Therefore, we must carefully weigh the costs and risks associated with granting an application for ETC designation against the asserted benefits.

### **III. ALLTEL'S APPLICATION**

#### **Initial Application**

Alltel filed the Application that is the subject of this proceeding on April 18, 2007. In its Application, Alltel described the area for which it sought designation as the area served by Alltel as a Cellular Mobile Radio Service ("CMRS") provider in specified Cellular Market Areas in the State of South Carolina. See Application at p. 1. The area requested by Alltel is the entire State of South Carolina. See Exhibit D to Application (a list of rural telephone company areas Alltel seeks to serve in their entirety, which includes every rural telephone company operating in South Carolina); Exhibit C to Application (a list and map of non-rural telephone company wire centers where ETC designation is sought); Tr. at p. 207, lines 22-23.

Alltel stated that it currently provides, or will provide upon designation, each of the required services throughout its proposed ETC service area, and that it will advertise the

availability of the nine supported services and the corresponding charges within the designated service area. Application at p. 3, p. 13. Alltel stated that, while the Commission has not formally adopted the FCC's ETC designation criteria, Alltel was "willing to comply with and is capable of complying with the FCC designation criteria if required by the Commission." Application at p. 7. With respect to the FCC's local usage requirement in particular, Alltel stated its belief that the various plans it currently offers (as described in Exhibit B to the Application) are "within the scope of 'comparability'" to plans offered by incumbent local exchange carriers ("ILECs"). See Application at p. 12.

Alltel stated that granting its application would serve the public interest by bringing the benefits of increased consumer choice and the "unique advantages of mobility." Application at pp. 15-17.

With respect to the five-year improvement plan that would be required under the FCC's designation criteria, Alltel did not provide a plan with its Application, but stated it would "provide its proposed five-year Service Improvement Plan ("Plan") upon the adoption of a Protective Order or as otherwise directed by the Commission." Application at p. 9. Alltel subsequently filed its Plan with the Commission under seal, along with a Motion for Protective Order and Request for Confidential Treatment, on July 3, 2007. We note that the applicant has the burden of proving its case and, in general, it is the applicant's obligation and not this Commission's to move forward with the required proof. A statement that the applicant will provide proof if so directed by the Commission is not sufficient to meet the applicant's burden. However, in light of Alltel's subsequent filing of its Plan, and the fact that the parties do not appear to have been prejudiced by the late filing, we need not reach the issue of whether Alltel's Application was deficient on its face.

Alltel's Plan consisted of the following:

- (1) A table showing projected capital spending by wire center and type of expenditure (i.e., coverage enhancements and/or capacity upgrades) for Year 1, including the estimated population that will be served.<sup>2</sup> Capacity upgrades, where indicated, are further broken out into switching, transport, or cell site upgrades; and
- (2) A table showing projected total spending by wire center for Years 2 through 5. This table is much less detailed than the first table. Total projected spending is provided by wire center, without a breakout of any proposed new investments in the wire center, either for coverage enhancements or capacity upgrades.

The Plan does not specify which improvements would have been made in the absence of universal service funding as compared to those that will be made only if ETC designation is received. The Plan also does not include any coverage maps that would allow the Commission to determine the extent of coverage improvements that would occur as a result of universal service funding, and whether Alltel has the capability and commitment to serve throughout the proposed ETC service area within a reasonable period of time, consistent with FCC requirements. See C.F.R. § 54.202(a)(1)(i); Virginia Cellular at ¶ 22.

The Plan was entered into the record, under seal and subject to proprietary treatment, as Hearing Exhibit No. 8.

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<sup>2</sup> While the table appears at first glance to show the "start date" and "end date" for each line item category of spending, the dates are uniform throughout the table and appear to be indicative not of specific project start and end dates, but only of the year in which the expenses will be incurred (i.e., Year 1). Likewise, the estimated population to be served in each wire center remains the same over the five-year period, and appears to reflect the total population by wire center rather than the population that will be served by any particular project or investment.

#### IV. FINDINGS AND CONCLUSIONS

1. The Commission has authority, pursuant to Section 214(e)(2) of the Act, to make a determination regarding Alltel's application for designation as an ETC for purposes of receiving federal USF.

2. Section 214(e)(2) of the Act allows the Commission discretion in all ETC designation cases to consider the public interest, convenience and necessity.

3. Pursuant to the statutory standard set forth in Section 214(e)(2) of the Act, the Commission "may," but is not required to, designate more than one carrier as an ETC for a service area served by a rural telephone company.

4. With respect to areas served by rural telephone companies, before the Commission may designate additional ETCs to serve such areas, Section 214(e) of the Act requires that the Commission make an affirmative finding that such designation is in the public interest.

5. The applicant has the burden of proving that it meets the requirements to be designated, and that its designation as an ETC is in the public interest. See Virginia Cellular at ¶ 26; Highland Cellular at ¶ 20.

6. In addition to the initial threshold public interest finding, the Commission has the authority to impose additional requirements on carriers it designates as ETCs in South Carolina. Texas Office of Public Utility Counsel v. FCC, 183 F.3d 393 (5<sup>th</sup> Cir. 1999). In doing so, we will be informed by – but not controlled by – the additional requirements adopted by the FCC as set forth in 47 C.F.R. § 54.202(a).

7. Alltel proposes to offer the nine services designated for universal service support set forth in 47 C.F.R. § 54.101(a), using either Alltel's own facilities or a combination of its own facilities and resale of another carrier's services. See Amended Application at pp. 3-5, 10; Tr. at pp. 16, 25.

8. The additional requirements adopted by the FCC include a requirement that the carrier seeking ETC designation must demonstrate that it offers a local usage plan comparable to the one offered by the ILEC in the service area for which it seeks designation. 47 C.F.R. § 54.202(a)(4). Alltel argues that the benefits of different calling scopes and bundled plans should be taken into consideration in determining whether service plans are comparable. Tr. at p. 42, line 21 through p. 44, line 8. We previously considered and rejected such a strained interpretation of the word "comparable" in Docket No. 2003-158-C, in which we concluded: "We fail to see how [the trend toward more expensive nationwide plans with "buckets" of local and long distance minutes] would serve a customer whose only interest is in a basic, low-cost connection to the network and unlimited local calling, or why it is in the public interest to use universal service funds to support such services." Order No. 2005-5 at p. 28, ¶ 11. The record clearly shows that, while Alltel offers an array of plans, it does not offer a basic local usage plan that is comparable to the plans offered by ILECs throughout the State. Alltel does not offer a basic local plan with unlimited local usage at an affordable rate. The closest plan Alltel has to a basic local usage plan is its \$29.99 plan. Tr. at p. 76, line 14. The plan includes 300 minutes per month within the defined local calling scope. Tr. at p. 78, line 25 through p. 79, line 2. This equates to approximately 10 minutes of local calling per day. Tr. at p. 276, lines 11-12. Minutes of use that exceed those included in the plan are billed at a rate of 45 cents per minute (i.e., \$27.00 per hour). Tr. at p. 79, lines 6-8, 19-21; Tr. at p. 276, line 16. The subscriber is required

to pay for both originating and terminating calls. Tr. at p. 276, lines 14-15. In addition, the plan requires a two-year commitment, and there is a \$200 early termination fee. Tr. at p. 276, lines 12-13. ILECs, on the other hand, offer unlimited local calling for a rate of approximately \$14.35 per month for residential customers. Tr. at p. 78, lines 3-6. Keeping in mind our overall goal of preserving and advancing universal service in the State of South Carolina, we do not believe Alltel offers a plan that is comparable to the basic local usage plans offered by the ILECs. We are mindful that we cannot regulate the entry of or the rates charged by wireless service providers. See 47 U.S.C. § 332(c)(3). We note, however, that imposing conditions on ETCs who happen to be wireless carriers does not constitute regulation of their CMRS service as such. These carriers are free to enter any markets for which they hold an appropriate license, and to establish whatever services and rates they wish for their CMRS offerings in South Carolina. It is the obligation of this Commission to determine if a particular application for ETC status is in the public interest, and to establish the terms and conditions necessary to ensure that the public interest is served. We believe it is appropriate to require those CMRS providers who voluntarily come before this Commission to request designation as an ETC in South Carolina (a designation that will allow them to receive significant amounts of funding for the provision of universal service in South Carolina) to offer a basic universal service offering comparable to that offered by the incumbent local exchange carriers that provides unlimited local usage at an affordable rate.

9. In addition to using the FCC's ETC designation criteria for guidance, we will use the existing framework of analysis of ETC applications as reflected in our prior orders, specifically Order No. 2005-5 in Docket No. 2003-158-C. With respect to the threshold public

interest finding, this requires us to conduct a specific, fact-intensive analysis to determine whether the benefits associated with the designation will outweigh the public costs.

10. We believe the FCC standards, and our own existing framework of analysis of ETC applications, demand that the public interest showing for rural telephone company areas be made on a study area-by-study area basis for each area served by a rural telephone company. The Act requires us to make a finding that designation is in the public interest before we can designate an additional ETC in “an area served by a rural telephone company.” 47 U.S.C. § 214(e)(2) (emphasis added). We believe this is a specific requirement that cannot be met with a general statewide showing of public interest. An application that does not indicate how universal service funds will be spent in each study area does not provide sufficient information to allow the Commission to determine that ETC designation will serve the public interest of consumers within each of those study areas. Alltel’s Application covers 27 distinct study areas, including 25 rural telephone company study areas. Each study area is unique and has specific universal service funding requirements. See Tr. at p. 309, lines 5-8. In fact, if Alltel’s application were approved, Alltel would receive federal universal service funding specific to each of the 27 individual study areas. Federal universal service support is calculated at the study area level, because the support per subscriber varies by study area. The amount of support is calculated for each study area by multiplying the number of subscribers in the study area by the study area-specific per-line support. Federal law clearly states: “A carrier that receives such support shall use that support only for the provision, maintenance, and upgrading of services for which the support is intended.” 47 U.S.C. § 254(e). Since support is calculated and received on a study area-specific basis, it follows that funding is intended to be spent within that study area. In addition, it is clearly within this Commission’s authority to ensure that spending within each



specific study area is in the public interest. It is possible for a carrier to meet the public interest test in one study area, but not in another study area. Allowing a general statewide showing of public interest would circumvent the requirement that we ensure the public interest is met before designating an additional ETC in an area served by a rural telephone company. Such a finding simply cannot be made on a statewide basis.

11. Universal service funding is intended to ensure that consumers in all regions of the nation have access to quality telecommunications services at just, reasonable, and affordable rates, and that the services and rates in rural, insular, or high cost areas are comparable to those in urban areas. 47 U.S.C. § 254(b). In determining whether granting a request for designation as an ETC serves the public interest, we must keep in mind this overriding principle.

12. Federal USF for ILECs is a cost recovery mechanism. Tr. at p. 323, lines 14-15. The amount of federal USF received is based on the incumbent's cost and is paid two years after the ILEC has made such investments and incurred such costs. Tr. at p. 323, lines 12-14. On the other hand, if Alltel is designated as an ETC, it will receive federal USF based on the ILEC's investments and costs, and not on anything that Alltel does or does not do with such universal service funds. Tr. at p. 323, lines 15-17. Furthermore, Alltel will be eligible for funding upon designation, prior to incurring any costs or making any investment to serve high-cost rural areas. See id; see also Tr. at p. 247, lines 16-19. Without some meaningful and enforceable commitment to invest these funds in the towers and other wireless telecommunications infrastructure necessary to deliver high-quality signal coverage in sparsely populated rural areas where such investment would not otherwise be economically viable, a wireless ETC would be able to receive substantial high-cost funds merely for continuing to serve its existing (and presumably lower-cost) customer base. Tr. at p. 247, line 19 through p. 248, line 3. That is why

it is important to examine up front how a competitive ETC plans to spend universal service money, in order to ensure that these public funds will indeed serve the public interest as determined by this Commission.

13. The primary public benefit from designating a competitive ETC does not come from improved signal coverage in low-cost areas the carrier and other competing wireless carriers already serve, but from expanding signal coverage to previously unserved areas, where such investment would not otherwise be economically viable. See Tr. at p. 258, line 19 through p. 259, line 6; Tr. at p. 269, line 16 through p. 270, line 3. It is, therefore, appropriate for this Commission to give greater weight to the construction of network infrastructure that would extend service to currently unserved rural areas, and little if any weight to infrastructure investment in low-cost areas that are already served. See Tr. at p. 270, lines 11-16.

14. The real issue for us to decide is not whether Alltel will improve its network with any federal USF monies received, but whether the public interest will be served thereby. We find it is appropriate to grant Alltel's application only if Alltel has clearly demonstrated that the public benefits of doing so will exceed the public costs.

15. The five-year plan submitted by Alltel does not demonstrate that the public benefits of designating Alltel as an ETC will exceed the public costs. While this Commission is not bound by the FCC requirements, we believe it is reasonable, at a minimum, to require an applicant to demonstrate a commitment to serve, and to provide a detailed showing of how it proposes to spend federal USF funds to expand into currently unserved areas prior to obtaining ETC designation, as set forth in 47 C.F.R. § 54.202(a)(1)(ii).

16. Alltel's Plan does not include any signal coverage maps. Without a baseline coverage map to show existing coverage areas, and maps showing coverage enhancements that

will result from specific projected improvements that will be made (both with and without federal universal service funding), it is impossible to assess how Alltel will expand its signal coverage to unserved areas in South Carolina due to the receipt of high-cost support. “Before” and “after” coverage maps would allow the Commission to determine whether scarce universal service dollars are being used to expand signal coverage into previously unserved or underserved areas, or whether they are instead being used for network upgrades and capacity additions in the lower-cost areas Alltel already serves, and in which it faces competition from other wireless carriers. While coverage maps may not expressly be required, carriers are required to demonstrate “how signal quality, coverage or capacity will improve due to the receipt of high-cost support.” See 47 C.F.R. § 54.202(a)(1)(ii). Alltel has not done so.

17. Additionally, Alltel’s plan does not provide sufficient detail regarding start and completion dates of each specific improvement planned, specific geographic areas in which each improvement project will be made, or the estimated population that will be served as a result of the improvement, as specified in 47 C.F.R. § 54.202(a)((ii). See Plan (Hearing Exhibit No. 8). For Year 1, the Plan provides projected capital spending by wire center and type of expenditure (i.e., coverage enhancements and/or capacity upgrades, with capacity upgrades further broken down into switching, transport, or cell site upgrades). Even for Year 1, the year for which more detail is provided, the Plan does not provide descriptions of specific projects, start and end dates for specific projects, or the estimated population that will be served by the improvement (other than the overall population served by that wire center). The Plan does not provide any information for wire centers where improvements are not planned, as the FCC would require. See 47 C.F.R. § 54.202(a)(1)(ii) (“If an applicant believes that service improvements in a particular wire center are not needed, it must explain its basis for this determination and

demonstrate how funding will otherwise be used to further the provision of supported services in that area.”) Almost no information is provided for Years 2 through 5, which consists merely of projections of the total amount that will be spent by wire center in those years, in clear disregard of the FCC designation criteria. See Hearing Exhibit No. 8. The Plan does not specify which improvements would be made in the absence of universal service funding as compared to those that will be made only if ETC designation is received. The information contained in the Plan does not demonstrate “how signal quality, coverage or capacity will improve due to the receipt of high-cost support,” as the FCC would require. See 47 C.F.R. § 54.202(a)(1)(ii). The Plan does not contain sufficient detail to allow this Commission to make a finding that Alltel’s designation as an ETC, and the resulting receipt of federal funding, is in the public interest.

18. In arguing that its designation as an ETC would serve the public interest, Alltel relies extensively on the asserted public benefits of improved wireless coverage and the “unique” advantages of mobility. See, e.g., Tr. at p. 170, lines 21-24. However, wireless service is available to the public from as many as seven other carriers in the service area in question. Tr. at p. 205, line 22 through p. 206, line 12. Furthermore, Alltel already provides wireless service throughout the State, and has done so for a number of years without the benefit of federal USF funding. See Tr. at p. 62, lines 10-15.

19. Even if Alltel could demonstrate additional public benefits, these may well be temporary, because Alltel has not addressed the very real risks that spreading finite universal service resources too thin will create to critical carrier of last resort principles. See Tr. at p. 245, lines 4-7; Tr. at p. 309, line 15 through p. 310, line 3. Explosive growth in the size of the federal USF could threaten the long-term viability of the fund, thereby jeopardizing the continued provision of affordable basic local exchange service to rural subscribers. Id. SCTC witness Mr.

Brown testified that, if the Commission grants Alltel's application based upon its showing in this proceeding, other wireless service providers would likely seek ETC designation as well in order to remain competitive with each other. See Tr. at p. 293, line 21 through p. 294, line 1. As we have previously recognized, the federal USF is and should be treated as a scarce national resource.

20. Alltel argues that the Commission need not be concerned with growth in the federal USF, because the amount of funding Alltel requests (\$20 million per year) is a small portion of the total federal USF of approximately \$4 billion. See Tr. at p. 175, lines 12-26. This argument is somewhat disingenuous in light of the fact that Alltel is the single largest recipient of federal USF. See Tr. at p. 355, line 25. With annual federal USF receipts of approximately \$320 million per year, Alltel has certainly contributed in large part to the problem of explosive growth of the federal universal service fund. See Tr. at p. 281, lines 6-12; Hearing Exhibit No. 5. We cannot simply ignore this problem, because we have a statutory obligation to determine where the public interest lies before we designate additional ETCs in the State of South Carolina and, more particularly, in rural areas of our State.

21. Alltel has not met the minimum requirements for designation as an ETC, because it has not demonstrated that it offers a local usage plan comparable to the ILECs' in their respective service areas.

22. Even if Alltel had met the minimum requirements for designation as an ETC, Alltel has failed to show that its designation as an ETC is in the public interest. Alltel's five-year service improvement plan provides insufficient detail for Year 1, and very little information at all (and no information regarding how universal service funds would be spent) for Years 2 through

5. Alltel's Plan is insufficient to support a finding by this Commission that designating Alltel as an ETC is in the public interest.

23. Alltel's failure to address the public interest determination on a rural study area-by-rural study area basis also makes it impossible for us to make the required findings. As stated above, Section 214(e)(2) of the Act requires us to make a finding that designation is in the public interest before we can designate an additional ETC in "an area" served by a rural telephone company. This cannot be accomplished with a blanket statewide finding, but must take into consideration the unique characteristics of each rural telephone company service area. Our concerns in this regard are magnified when we consider Alltel's proposed spending plan. While Alltel will receive proportionately more funding for its subscriber base in rural areas, our review of the record shows that Alltel will spend a disproportionate amount of its projected federal USF receipts in lower-cost areas. See Hearing Exhibit No. 6 (proprietary prefiled Reply Testimony of Glenn H. Brown) at p. 15, line 17 through p. 16, line 4, and attached Exhibit GHB-1. Alltel takes the position that it can spend the high cost funds it receives anywhere in the State, because it has defined its study area to include the entire State. See Tr. at p. 129, line 12 through p. 130, line 1. In other words, Alltel believes current rules would allow it to take dollars received in high cost funding for its subscribers in a rural telephone company service area and spend them in downtown Columbia. See Tr. at p. 128, line 11 through p. 130, line 1. Approving Alltel's Application as filed would allow Alltel to "siphon" federal USF funding from the areas for which it is intended and divert the funding to low-cost areas where Alltel already provides service in competition with other carriers. This is certainly not in the best interest of rural customers in South Carolina, because it would jeopardize the continued provision of universal service.

24. The FCC's designation criteria provide additional support for the concept that federal funds should be targeted to the areas for which they are received. See, e.g., 47 C.F.R. § 54.202(a)(1)(ii) ("If an applicant believes that service improvements in a particular wire center are not needed, it must explain its basis for this determination and demonstrate how funding will otherwise be used to further the provision of supported services in that area.") (Emphasis added.)

25. We find that Alltel has not met its burden of establishing that the public interest will be met by granting its request for designation as an ETC in areas served by rural telephone companies in the State of South Carolina. There is insufficient evidence in the record for this Commission to make a determination as to the benefits the public will receive in the form of expanded coverage into previously unserved areas. The evidence of record indicates that the costs and risks associated with granting Alltel's request outweigh the asserted benefits. More specifically:

- Alltel does not offer a local usage plan comparable to the ILECs' plans, which offer unlimited local calling at an affordable rate.
- Alltel did not provide a five-year service improvement plan. Alltel's Plan provides detail only for Year 1, and even the information provided for Year 1 is not sufficiently detailed to meet even the minimum FCC ETC designation criteria or to allow this Commission to make a finding that designating Alltel as an ETC is in the public interest.
- Alltel has provided no coverage maps or other information that would demonstrate whether scarce universal service dollars are being used to expand signal coverage into previously unserved or underserved areas, or whether they are instead being used for network upgrades and capacity additions in the lower-cost areas Alltel and other wireless carriers already serve.
- Alltel has provided no coverage maps or other information to support a commitment to serve throughout the designated area within a reasonable time frame.

- Alltel has provided no information on specific projects (e.g., start and end dates, geographic areas where improvements will be made, and estimated population that will be served.)
- Alltel did not make a public interest showing by study area, or demonstrate how funds received for each study area will be used to further the provision of supported services in that area.
- Alltel's Plan shows a disproportionate amount of spending in lower-cost areas, which means that funds received for the provision of service in higher-cost areas will not be spent in those areas and, therefore, will not be spent for their intended purposes.
- Alltel has not addressed the very real risks that spreading finite universal service resources too thin will create to critical carrier of last resort principles, or the risk that explosive growth in the size of the federal USF could threaten the long-term viability of the federal USF and the continued provision of affordable basic local exchange service to rural subscribers.

IT IS THEREFORE ORDERED THAT:

Alltel's request for designation as an eligible telecommunications carrier within certain areas of the State of South Carolina is denied.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

\_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Executive Director

(SEAL)